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Russian Federation

Grain and Feed

Grain Interventions Announced 2007

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Report Highlights:

The Russian Ministry of Agriculture's grain commodity interventions will be held October 29-31, 2007. Market price maxima at which grain interventions will take place are set as follows: milling wheat, class 3 - 5,000 rubles per metric ton; milling wheat, class 4 - 4,700 rubles per metric ton; and milling rye - 3,900 rubles per metric ton.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

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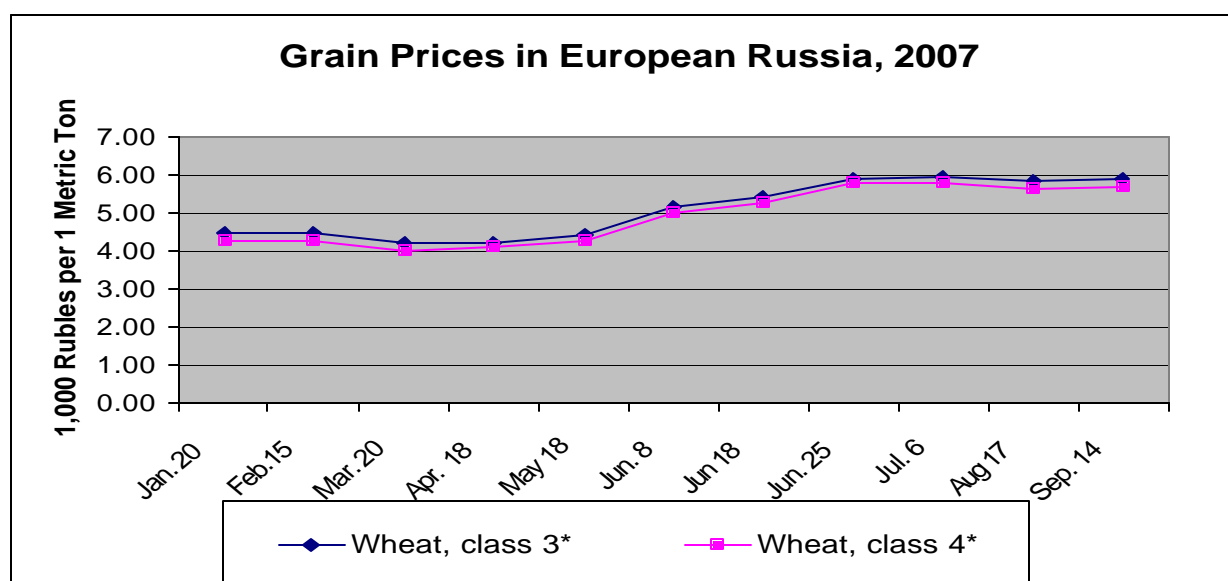
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Executive Summary

The Russian Ministry of Agriculture will conduct grain commodity interventions for stabilization of agricultural and food product prices October 29-31, 2007. This information was published in mass media and on the ministry's website October 19. The interventions will be held at the National Commodity Exchange (www.namex.org). OAO "Agency for Regulation of Food Market" at the Ministry of Agriculture will be the state agent to conduct interventions. The maximum grain prices levels¹ are set as following:

- soft milling wheat, class 3 - 5,000 rubles per metric ton
- soft milling wheat, class 4 - 4,700 rubles per metric ton
- food quality rye, group "A" - 3,900 rubles per metric ton.²

Thus, the Ministry of Agriculture promptly responded to the order of the Russian President to take all possible measures for food price stabilization. Experts consider that it is too early to start selling grain from state intervention stocks before reliable data on the 2007 grain crop are made available, and before market reacts on the recently announced wheat and barley export tariffs. Previously, Russian Minister of Agriculture Aleksey Gordeyev had also expressed the opinion that timing of grain commodity interventions should be based on thorough analyses of the grain market situation.



Source: WJ Interagro

Price Situation

This announcement does not reveal the volumes of grain to be offered for sale. The total government intervention stock is reportedly 1.5 million metric tons of grain, primarily class 3 wheat. According to independent grain price surveyors, class 3 wheat prices in European Russia exceeded the 5,000-ruble level at the end of May and beginning of June, 2007, and at the same time class 4 wheat prices also reached the 5,000-ruble/MT level. At that time Minister Gordeyev was predicting a 76-million-metric-ton crop, 5 percent lower than the

¹ In accordance with commodity intervention procedures, the government starts selling grain from the intervention stock when the market prices reach the maximum price levels. These levels are determined by the government for a certain year and for a certain grain.

² Ruble to \$US exchange rate is 24.85 rubles per 1 \$US

estimated actual outturn. By the end of September class 3 wheat prices reached 6,000 rubles per metric ton. However, industry sources report that as the 2007 grain crop forecasts have improved, grain prices have moderated, stabilizing at 6,000 rubles per metric ton.

Other Relevant Reports

RS7070 Russian Government Resolution on Temporary Export Duties on Wheat and Barley (as of this report's submission, not yet posted to the FAS website)

RS7068 Grain Export Tariffs Coming in November

<http://www.fas.usda.gov/gainfiles/200710/146292716.pdf>

RS7320 Grain Interventions and Export Tariffs Likely

<http://www.fas.usda.gov/gainfiles/200709/146292480.pdf>

RS7059 Grain and Feed / September Monthly Update

<http://www.fas.usda.gov/gainfiles/200708/146292218.pdf>

RS7040 Grain Intervention (Procurement) Prices for 2007

<http://www.fas.usda.gov/gainfiles/200704/146280950.pdf>